

CHERRY CREEK SCHOOL DISTRICT NO. 5
ARAPAHOE COUNTY, COLORADO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For The Year Ended June 30, 2013



4700 SOUTH YOSEMITE STREET
GREENWOOD VILLAGE, CO 80111



Dedicated to Excellence
Cherry Creek Schools

EXECUTIVE BRIEFING FOR: BOARD OF EDUCATION

November 18, 2013

CliftonLarsonAllen, L.L.P.

Independent Auditors' Report

- Unmodified audit opinion
- Management accounting estimates (capital asset depreciation)
- No disagreements with management on financial accounting or reporting matters
- GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* adopted fiscal year ended June 30, 2013
- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* effective year-end June 30, 2015



CliftonLarsonAllen, L.L.P.

Independent Auditors' Report

- No significant difficulties were encountered in dealing with management related to the performance of the audit
- No internal control management letter comments
- Audit adjustment related to the partial refunding of the 2004 bond issue that was completed in March 2012. While the economic gain on the transaction is \$4,178,061, the accounting treatment at the Government-wide level results in a deferred loss that is amortized over the life of the bonds. There is no effect on the Governmental Fund statements
- No single audit findings



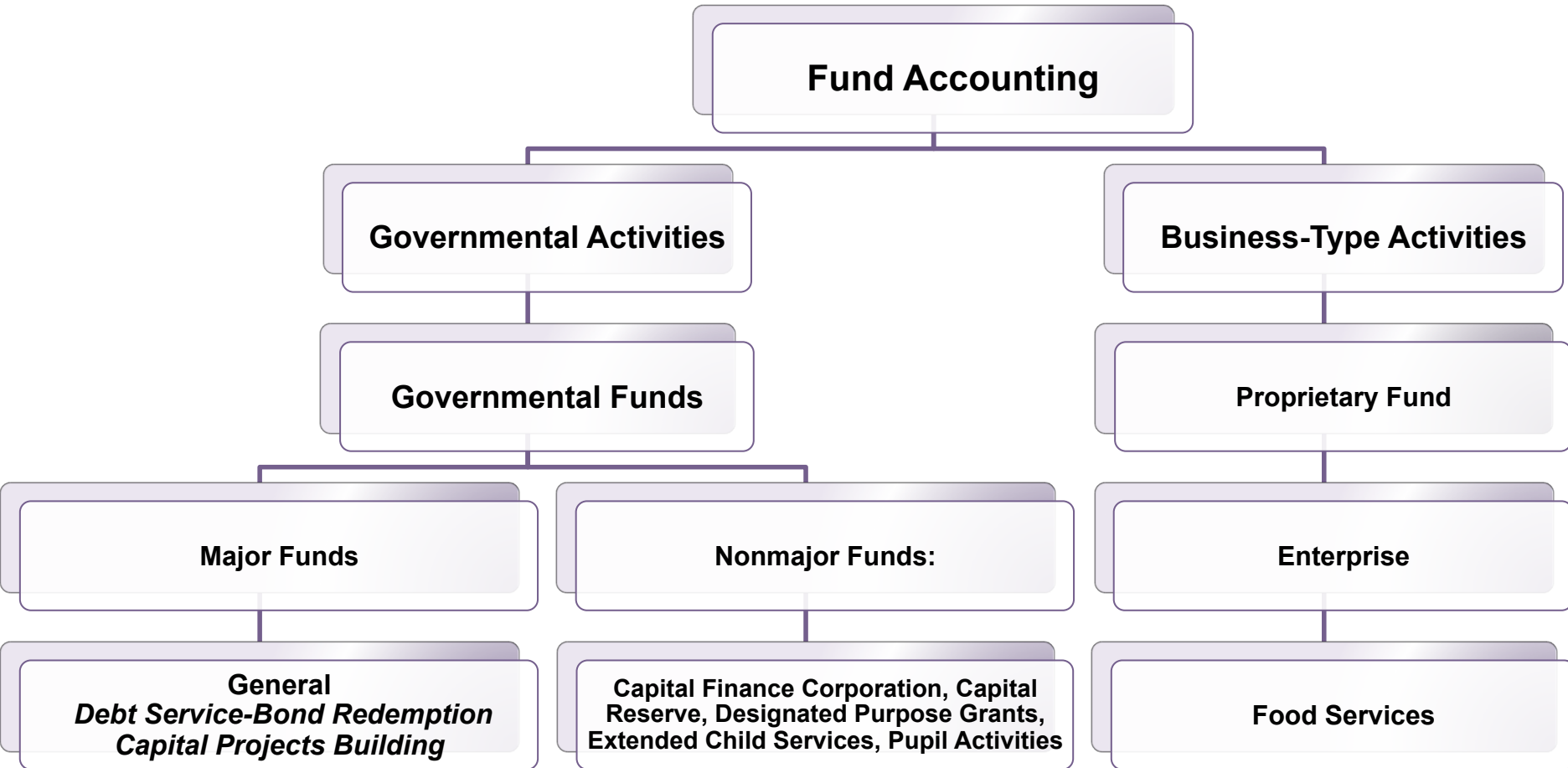
Financial Report and Budget Awards

- Government Finance Officers Association
 - Certificate of Achievement for Excellence in Financial Reporting
 - **Received for 2012 CAFR – 20th consecutive year**
 - Distinguished Budget Presentation Award
 - **Received for 12-13 Budget – 19th consecutive year**
- Association of School Business Officials
 - Certificate of Excellence in Financial Reporting
 - **Received for 2012 CAFR – 20th consecutive year**
 - Meritorious Budget Award
 - **Received for 12-13 Budget – 16th consecutive year**



Basis of Presentation

Fund Accounting



Government-Wide Statements

- Designed to provide reader with a broad overview of the financial activities
- Similar to a private sector business
 - Includes capital assets and long-term liabilities, for example: buildings, land and equipment, general obligation bonds, certificates of participation, and compensated absences payable
- Include the Statement of Net Position and the Statement of Activities
- Distinguish functions of the District
 - Governmental activities supported from taxes and intergovernmental revenues
 - Business-type activities intended to recover costs from user fees/charges
- Expenses vs. Expenditures



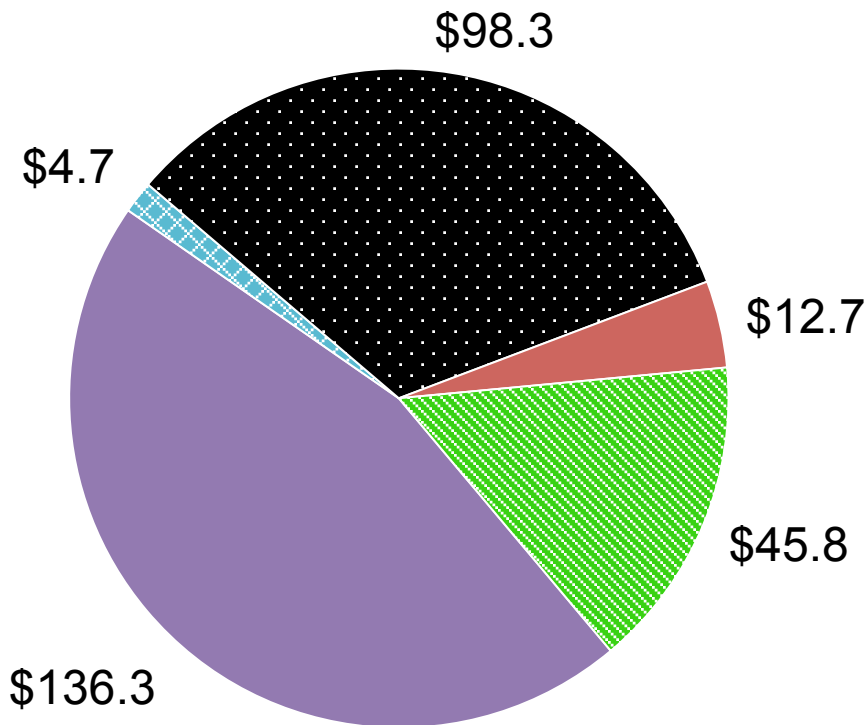
Statement of Net Position

- Information about all of District's assets and liabilities
 - Including capital assets and long-term obligations
- Difference between assets and liabilities is reported as net position
- Over time, changes in net position may serve as a useful indicator of improving or deteriorating financial condition



Investments and Deposits

As of June 30, 2013
by Fund (in millions)



TOTAL: \$297.8

- Capital Projects Fund
- Enterprise Fund
- General Fund
- Other Governmental Funds
- Debt Service Fund



Investments and Deposits

As of June 30, 2013

<u>District Deposits</u>	(in millions)
Cash	\$5.8
Cash Held by County	4.9
Equity in Pooled Cash	95.9
Total Deposits	106.6
<u>Investments</u>	
U.S. Government Backed Securities	146.1
Investment Held in Escrow	45.1
Total Investments	191.2
Total Investments and Deposits	<u>\$ 297.8</u>



Investments and Deposits

(Continued)

Total Investment Income	\$0.6
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Weighted Average Maturity:

All Funds	99 days
Building Fund	848 days

Weighted Average Yield on Investments:

All Funds	0.129%
Building Fund	0.391%
Benchmark - 3-month T-Bill	0.082%



Credit Ratings

- Standard and Poor's

 - AA General Obligation Bonds

“Debt rated AA has a very strong capacity to pay interest and repay principal and differs from the highest rated issues only in small degree.”

- Moody's Investors Service

 - Aa1 General Obligation Bonds

Obligations rated Aa1 are judged to be of high quality and are subject to very low credit risk. “The stable outlook reflects Moody's expectation that District officials will continue to effectively manage the Districts fiscal operations and maintain prudent debt management practices.”



Recent Borrowing

- \$38.1 million borrowed from the State Treasurer's interest-free loan program to fund seasonal cash flow requirements during FY12-13
 - Repaid June 25, 2013



Management's Discussion & Analysis

- Assets exceeded liabilities by \$275.5 million (net position)
- Net position of the District include:
 - \$180.0 million net investment in capital assets
 - \$59.7 million restricted for debt service payments and TABOR
 - \$35.8 million unrestricted net position
 - GAAP treatment of earned but unpaid salaries and benefits and compensated absences payable
- Business-type activities unrestricted net position of \$3.4 million included in total of \$35.8 million



Management's Discussion & Analysis

(Continued)

- Total net position increased by \$11.4 million
- District's governmental funds increased by \$116.5 million
 - Increase in fund balance is larger under governmental modified accrual basis of accounting due to the treatment of long-term debt and capital construction
 - General Fund revenues were in excess of expenditures by \$11.4 million
- Long-term obligations increased by \$96.6 million
 - Result of the scheduled current year payments on existing debt
 - Issued \$125.0 million in new debt. Premium on new debt \$4.4 million



Management's Discussion & Analysis

(Continued)

- District's General Fund balance increased by \$11.4 million
 - State per pupil funding approximately the same as prior year. State aid increased due to enrollment increase of 647.3 FTE
 - Passed mill levy budget override of \$25.0 million
 - \$5.6 million actual positive budgeted expenditure variance includes: salary and benefit allocations, utilities, plant operations and general supplies
 - This positive variance includes \$1.9 million budgeted for social studies curriculum and other supplies that were encumbered during the fiscal year but not received by year end; therefore, not included as an expenditure
 - Property taxes received were positive to budget--\$2.2 million
 - Specific ownership tax positive to budget--\$0.1 million
 - Transportation expenditures exceeded budget--\$0.4 million



Net Position

As of June 30, 2013

(in millions)	Governmental Activities	Business-Type Activities	Government- Wide
Current/Other Assets	\$315.9	\$5.3	\$321.2
Capital Assets	626.1	1.9	628.0
<i>Total Assets</i>	<u>942.0</u>	<u>7.2</u>	<u>949.2</u>
Current Liabilities	96.0	1.6	97.6
Noncurrent Liabilities	576.1	---	576.1
<i>Total Liabilities</i>	<u>\$672.1</u>	<u>\$1.6</u>	<u>\$673.7</u>
Net Investment in Capital Assets	\$178.1	\$1.9	\$180.0
Restricted Net Position	59.4	0.3	59.7
Unrestricted Net Position	32.4	3.4	35.8
<i>Total Net Position</i>	<u>\$269.9</u>	<u>\$5.6</u>	<u>\$275.5</u>



Statement of Activities

- Shows how net position changed during the current fiscal year
- Full accrual basis of accounting
 - Activity recorded when event occurs, regardless of the timing of related cash flows



Key Elements

Governmental Activities

- State Equalization Aid increased \$4.5 million
- Property taxes increased by \$14.6 million (increase of \$20.5 million in the General Fund offset by a decrease of \$5.9 million in the Bond Redemption Fund)
- Per pupil funding approximately the same as prior year at \$6,406.07
- Increased enrollment (647.3 FTE)
- Total governmental expenditures increased 1.8%
 - Expense for instruction and indirect instruction increased 3.3%
 - Support services and other non-instructional functions decreased 3.5%
 - Increased enrollment and related staffing
 - Employee health benefit costs
 - Pension costs
 - Interest expense decreased from refinancing debt



Statement of Activities

Year Ended June 30, 2013

(in millions)	Governmental Activities	Business-Type Activities	Government-Wide
<u>Expenses</u>			
Instruction	\$349.2	\$ --	\$349.2
Indirect Instruction	64.2	--	64.2
Supporting Services	75.7	--	75.7
Community Services	0.8	--	0.8
Pupil Activities	11.8	--	11.8
Interest on Long Term Debt	17.0	--	17.0
Food Service Operations	--	17.0	17.0
Total Expenses	\$518.7	\$17.0	\$535.7



Statement of Activities

Year Ended June 30, 2013

(in millions)	Governmental Activities	Business-Type Activities	Government-Wide
<u>Revenues</u>			
Program Revenues			
Charges for Services	\$30.5	\$8.1	\$38.6
Operating Grants	34.6	7.8	42.4
Contributions	0.5	--	0.5
General Revenues			
Property Taxes	244.4	--	244.4
Specific Ownership Taxes	16.1	--	16.1
Investment Earnings	0.6	--	0.6
Other Revenues	2.7	--	2.7
State Equalization Aid	201.8	--	201.8
Total Revenues	\$531.2	\$15.9	\$547.1



Statement of Activities

Year Ended June 30, 2013

(in millions)	Governmental Activities	Business-Type Activities	Government-Wide
Total Revenues	\$531.2	\$15.9	\$547.1
Total Expenses	518.7	17.0	535.7
Increase Before Transfers	12.5	(1.1)	11.4
Transfers	(0.3)	0.3	--
Change in Net Position	12.2	(0.8)	11.4
Net Position July 1, 2012	257.7	6.4	264.1
Net Position June 30, 2013	<u>\$269.9</u>	<u>\$5.6</u>	<u>\$275.5</u>



Capital Assets

(in millions)	Fiscal Year 2012-13
Land	\$19.4
Land Improvements	23.2
Buildings	841.0
Projects in Progress	26.3
Equipment	<u>76.9</u>
Total Capital Assets	986.8
Less Accumulated Depreciation	<u>358.8</u>
Net Capital Assets	<u><u>\$628.0</u></u>



Long-Term Obligations

(in millions)	Fiscal Year 2012-13
General Obligation Bonds	\$563.9
Unamortized Premiums	17.2
Deferred Amount on Refunding	(2.6)
Accrued Compensated Absences	31.9
Total Long-Term Obligations	<u>\$610.4</u>

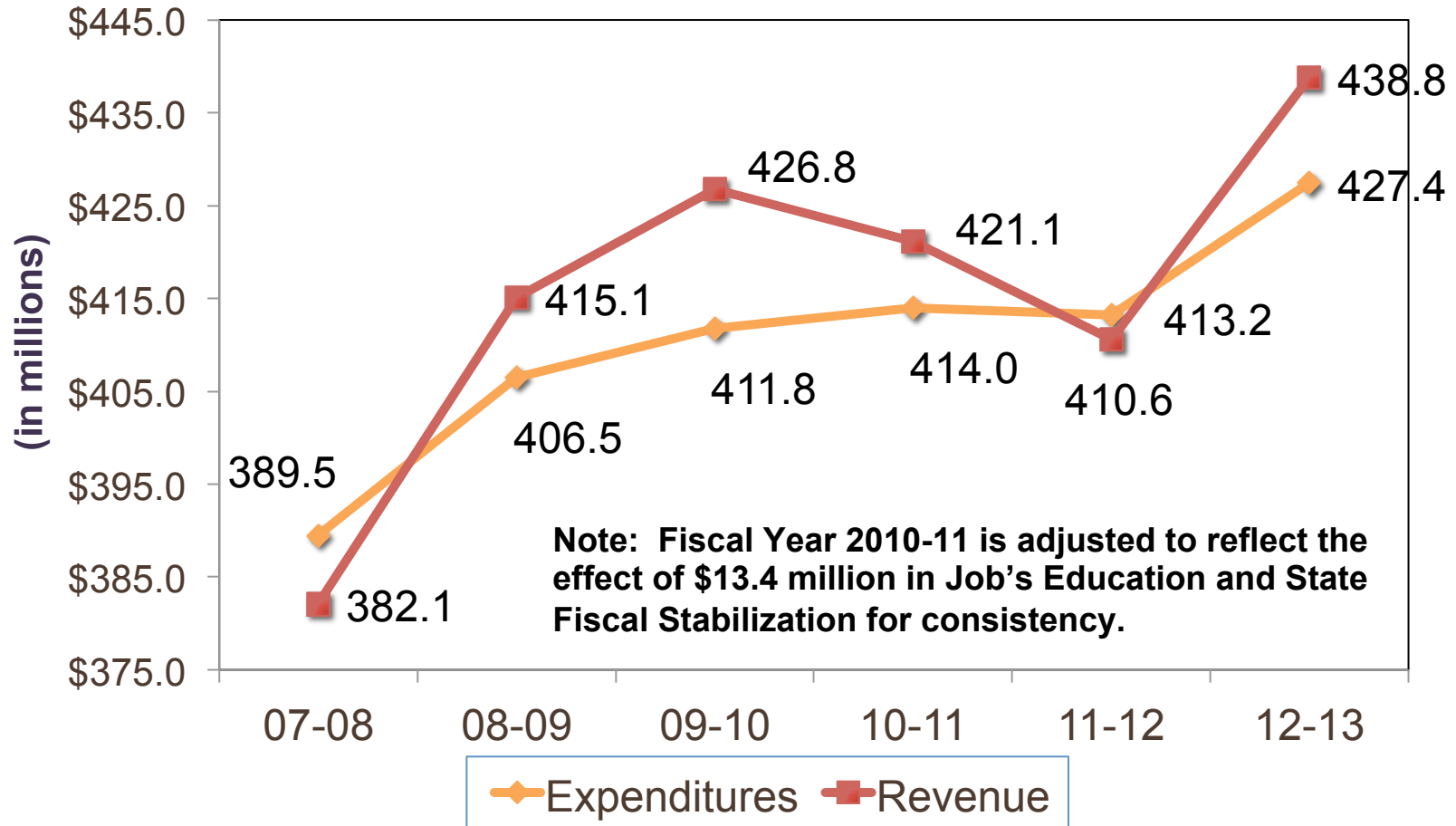


Balance Sheet: Governmental Funds

as of June 30, 2013

(in millions)	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets	\$111.6	\$46.9	\$136.4	\$18.2	\$313.1
Liabilities	<u>57.2</u>	<u>.5</u>	<u>5.9</u>	<u>9.0</u>	<u>72.6</u>
Fund Balance	<u>\$54.4</u>	<u>\$46.4</u>	<u>\$130.5</u>	<u>\$9.2</u>	<u>\$240.5</u>

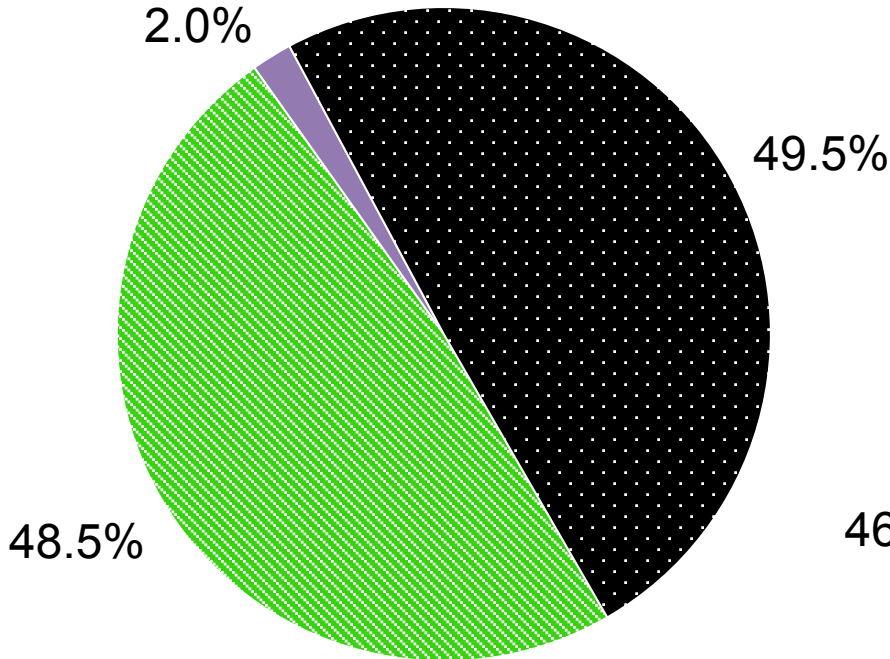
General Fund Revenue & Expenditures Transfers



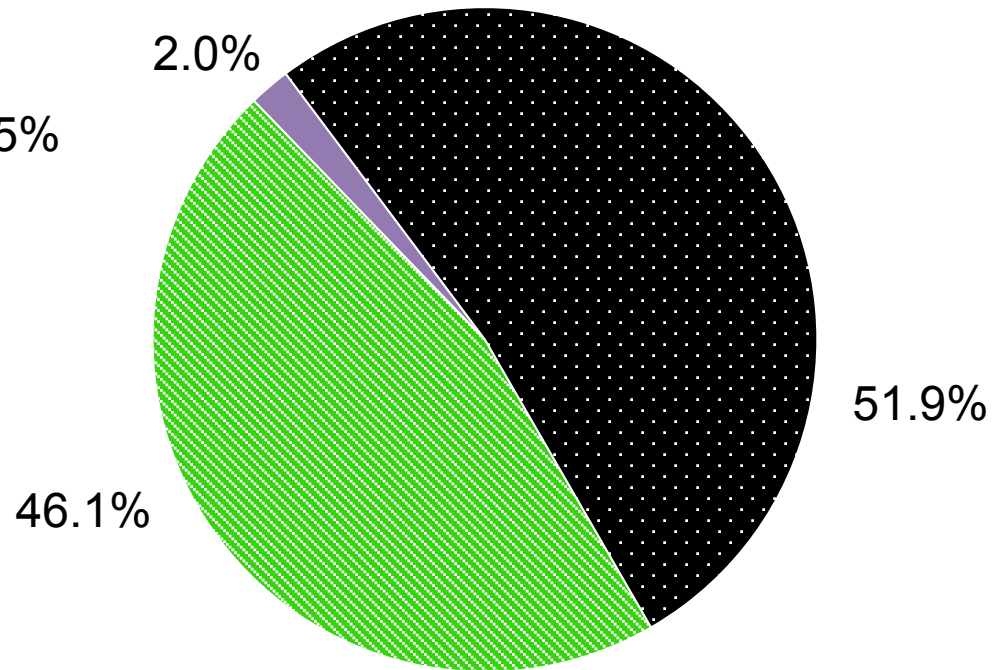
General Fund Revenues by Source

FY2012-13 vs. FY2011-12

2012-13
2.0%



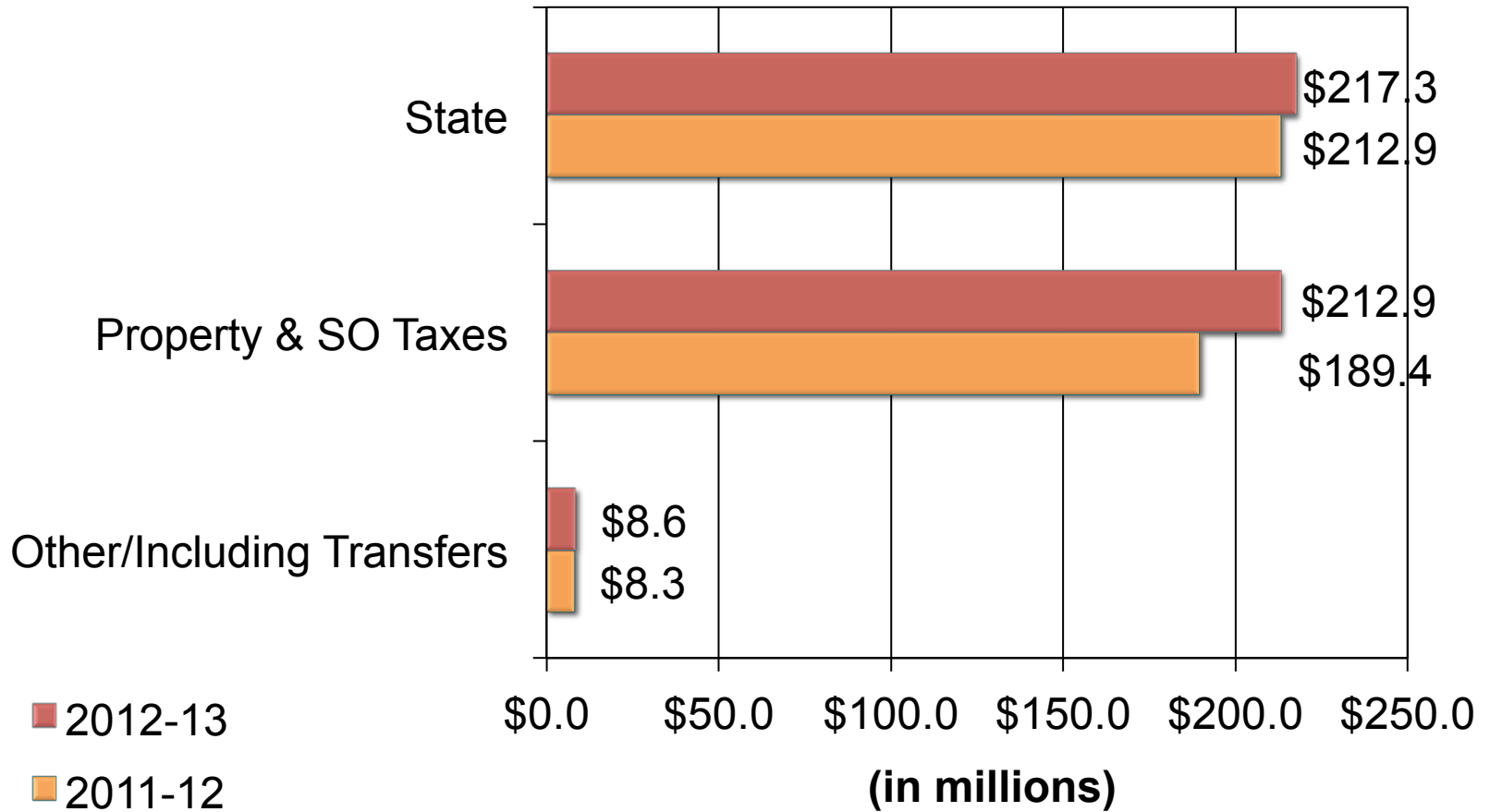
2011-12



■ Property & SO Taxes ■ Other ■ State

General Fund Revenues by Source

FY2012-13 vs. FY2011-12



General Fund Revenues

(in millions)	Fiscal Year 2012-13	Percent of Total	Fiscal Year 2011-12	Percent of Total	Amount of Increase
Property & SO Taxes	\$ 212.9	48.5%	\$189.4	46.1%	\$23.5
State	217.3	49.5%	212.9	51.9%	4.4
Other/Including Transfers	8.6	2.0%	8.3	2.0%	0.3
Totals	<u>\$438.8</u>	<u>100.0%</u>	<u>\$410.6</u>	<u>100%</u>	<u>\$28.2</u>



General Fund – Budget to Actual

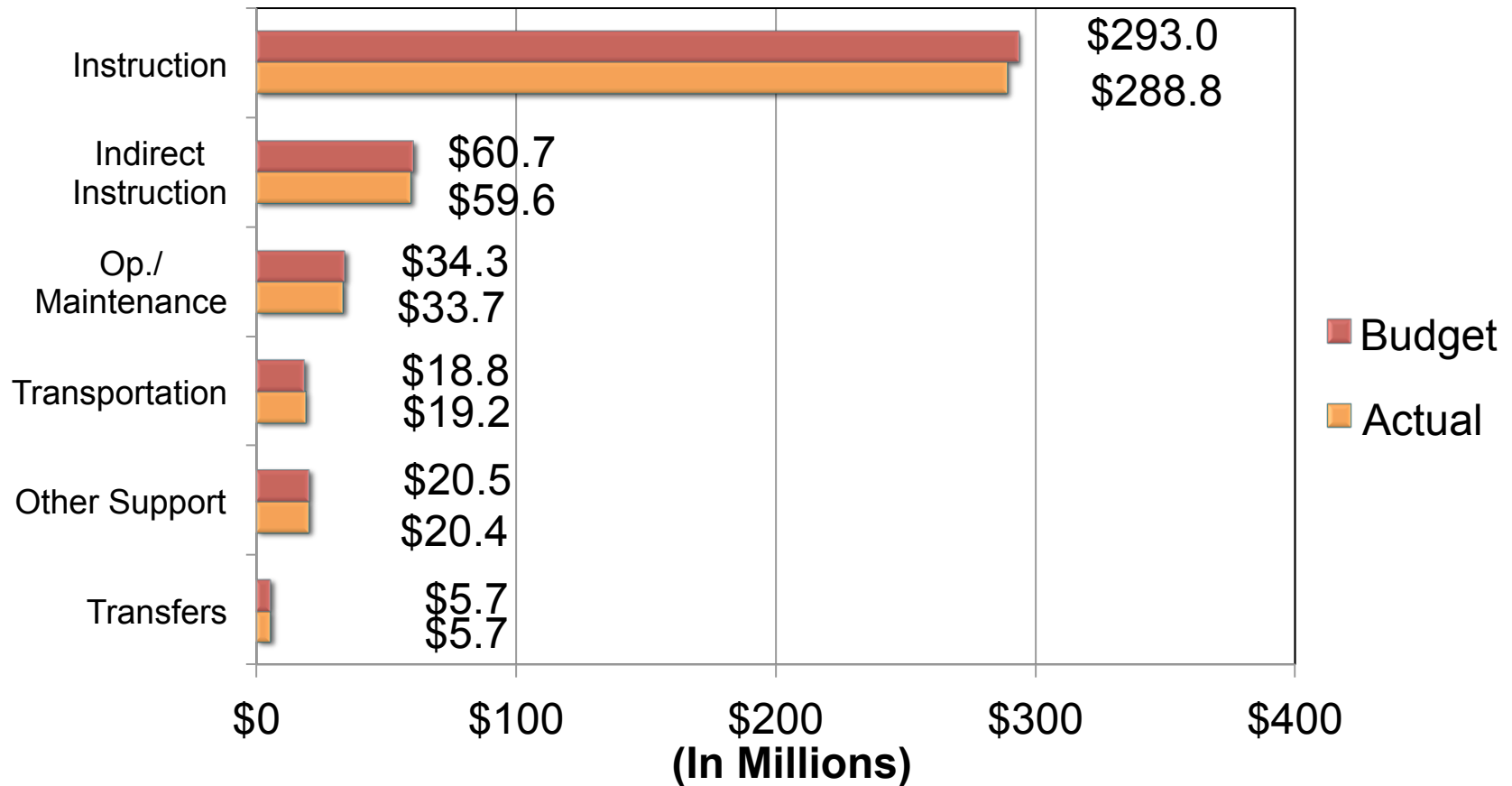
Year Ended June 30, 2013

(in millions)	Budget	Actual	Variance
<i><u>Revenues:</u></i>			
Property & SO Taxes	\$210.6	\$212.9	\$2.3
State	217.6	217.3	(0.3)
Investment Income	0.3	0.2	(0.1)
Other	6.2	5.8	(0.4)
Transfers	2.6	2.6	--
<i>Total Revenues</i>	<u>\$437.3</u>	<u>\$438.8</u>	<u>\$1.5</u>
<i><u>Expenditures:</u></i>			
Instruction	\$293.0	\$288.8	\$4.2
Indirect Instruction	60.7	59.6	1.1
Operations/Maintenance	34.3	33.7	0.6
Transportation	18.8	19.2	(0.4)
Other Support Services	20.5	20.4	0.1
Transfers	5.7	5.7	--
<i>Total Expenditures</i>	<u>\$433.0</u>	<u>\$427.4</u>	<u>\$5.6</u>



General Fund Expenditures

Budget to Actual – Year Ended June 30, 2013



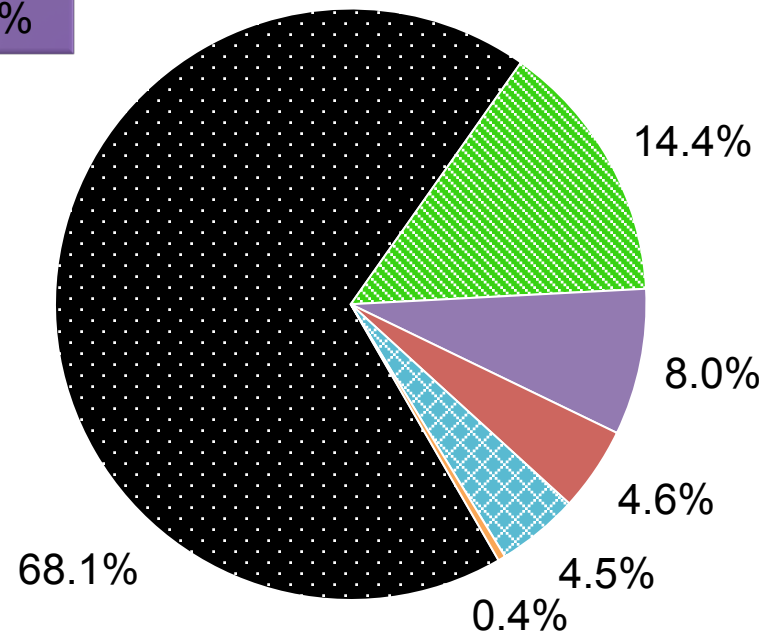
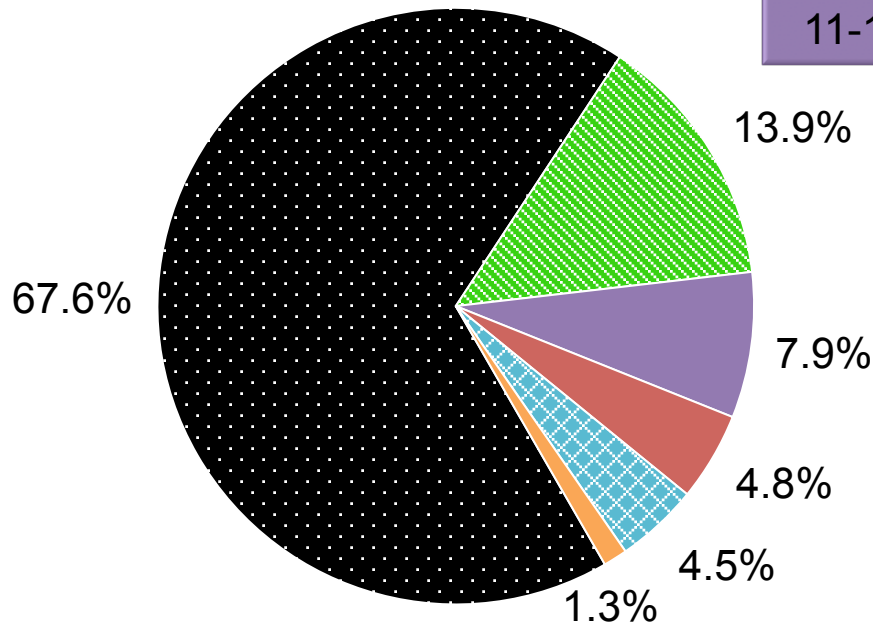
General Fund Expenditures by Function

FY2012-13 vs. FY2011-12

2012-13

2011-12

Instruction
 12-13 = 81.5%
 11-12 = 82.5%



- Instruction
- Indirect Instruction
- Operations/Maintenance
- Other Support Services
- Transportation
- Transfer

General Fund Expenditures by Function

(in millions)	FY 2012-13	% of Total	FY 2011-12	% of Total	Amount of Increase (Decrease)
Instruction	\$288.8	67.6%	\$ 281.3	68.1%	\$7.5
Indirect Instruction	59.6	13.9%	59.5	14.4%	0.1
Operations/Maintenance	33.7	7.9%	32.9	8.0%	0.8
Transportation	19.2	4.5%	18.4	4.5%	0.8
Other Support Services	20.4	4.8%	19.1	4.6%	1.3
Transfers	5.7	1.3%	2.0	0.4%	3.7
Total	<u>\$427.4</u>	<u>100.0%</u>	<u>\$ 413.2</u>	<u>100.0%</u>	<u>\$14.2</u>



General Fund – Fund Balance

June 30, 2013

Nonspendable:	
Prepayments and Deposits	\$306,602
Inventories	1,700,870
Restricted for: Emergency Reserve	12,823,000
Committed for:	
Multiple-year commitments	936,548
Assigned for: other purposes	1,888,666
Unassigned	36,792,731
Total Fund Balance	<u>\$54,448,417</u>



General Fund Summary

- Mill levy budget override -- \$25.0 million
- Property tax collections better than budget
- State equalization aid in line with revised budgets
- Specific ownership taxes increased from prior year \$1.5 million
- Federal interest subsidy from Build America Bonds -- \$1.5 million
- Other revenue variances primarily offset each other
- Continued cost containment efforts
- Positive expenditure variances include salary and benefits allocations, utilities, plant operations, and general supplies
- Transportation expenditures were more than anticipated

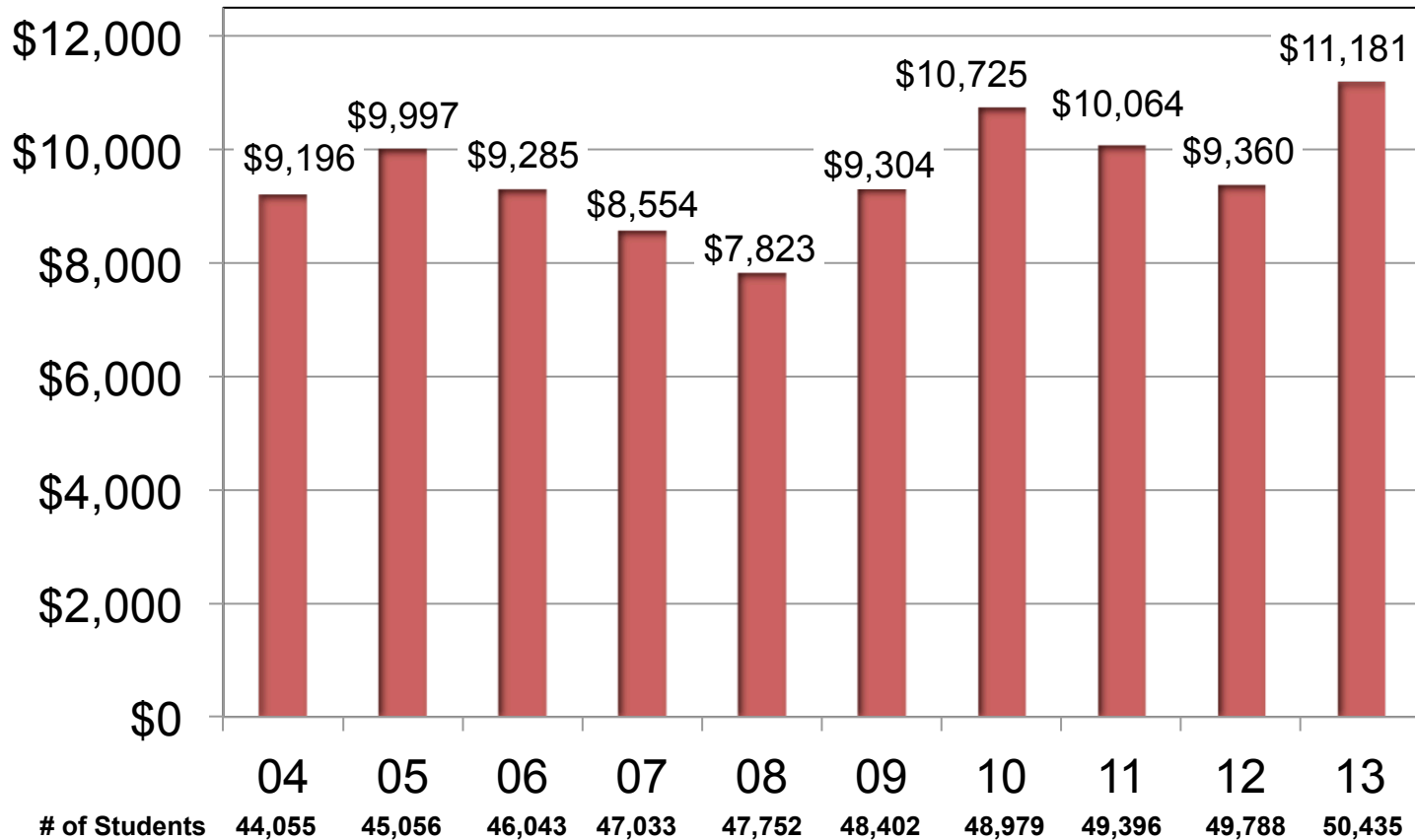


Debt Service Fund

	FY2012-13	FY2011-12	Increase (Decrease)
Beginning Fund Balance	\$ 47.8	\$ 44.6	\$3.2
Revenues	47.5	107.0	(59.5)
Expenditures	(48.9)	(105.7)	(56.8)
Transfers In	--	1.9	(1.9)
Excess Revenues over Expenditures	(1.4)	3.2	(4.6)
Ending Fund Balance	<u>\$46.4</u>	<u>\$ 47.8</u>	<u>(\$1.4)</u>



General Obligation Bonded Debt Per Student (FTE)



Dedicated to Excellence

Cherry Creek Schools

Capital Projects Building Fund

	FY2012-13	FY2011-12	Increase (Decrease)
Beginning Fund Balance	\$22.2	\$ 47.3	\$(25.1)
Revenues	0.3	0.1	0.2
Expenditures	(21.1)	(23.3)	(2.2)
Transfers Out	(0.3)	(1.9)	1.6
Sale of Bonds	129.4	--	129.4
Net Change in Fund Balances	108.3	(25.1)	133.4
Ending Fund Balance	<u>\$130.5</u>	<u>\$ 22.2</u>	<u>\$108.3</u>

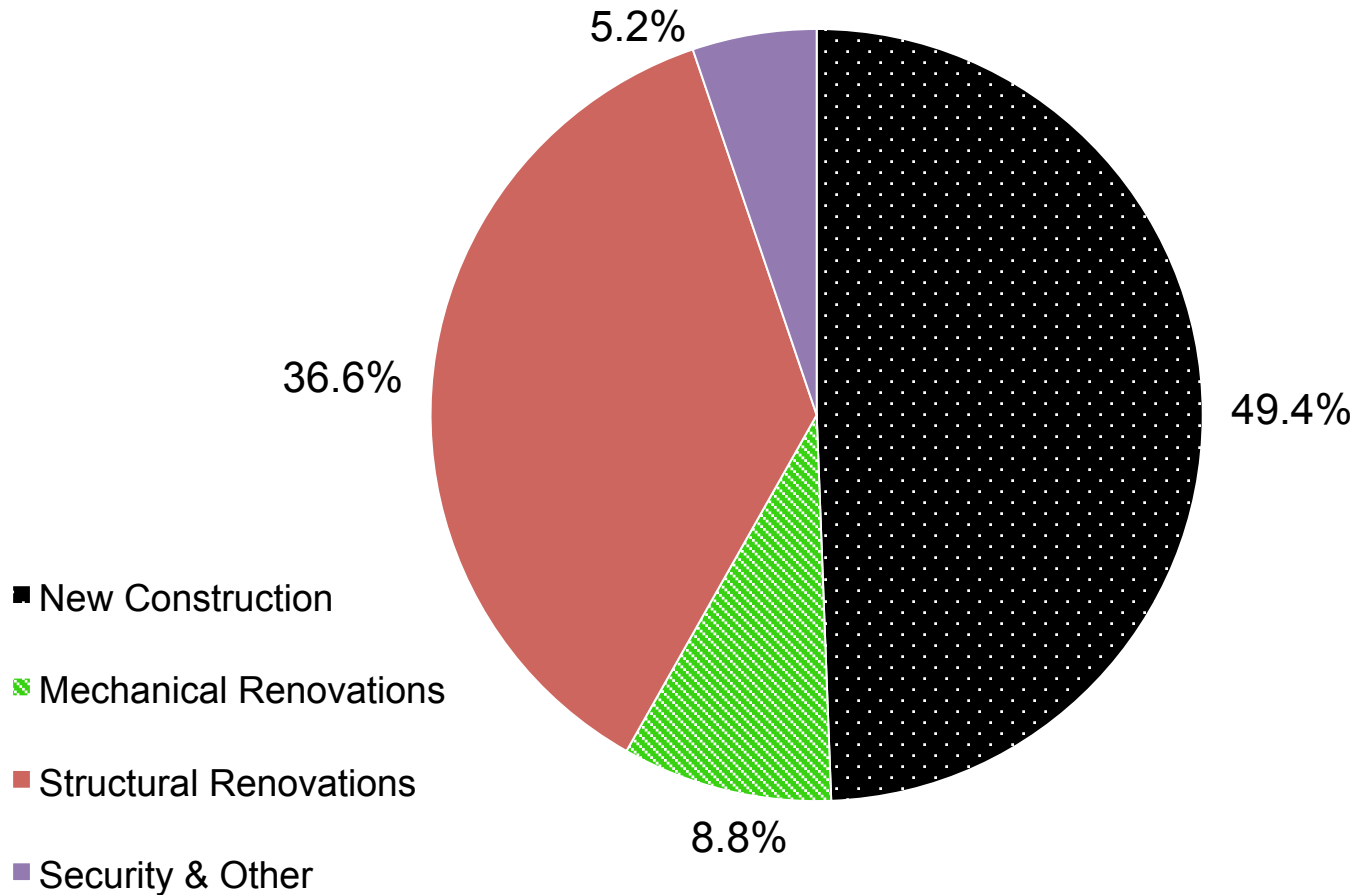


Capital Projects Building Fund 12-13 Expenditures (in millions)

Elementary #43	\$10.4	49.3%
Eaglecrest High School	5.5	26.1%
Structural Renovation Projects	2.2	10.4%
Mechanical Renovation Projects	1.9	9.0%
Security and Other Projects	1.1	5.2%
Total Expenditures	<u>\$21.1</u>	<u>100.0%</u>



Analysis of Projects by Type



Balance Sheet: Nonmajor Governmental Funds

June 30, 2013

(in millions)	Capital Reserve Fund	Designated Purpose Grants Fund	Extended Child Services Fund	Pupil Activities Fund	Total Non-Major Governmental Funds
Assets	\$1.1	\$5.8	\$6.3	\$5.1	\$18.3
Liabilities	0.9	5.8	2.3	0.1	9.1
Fund Balance	\$0.2	\$--	\$4.0	\$5.0	\$9.2



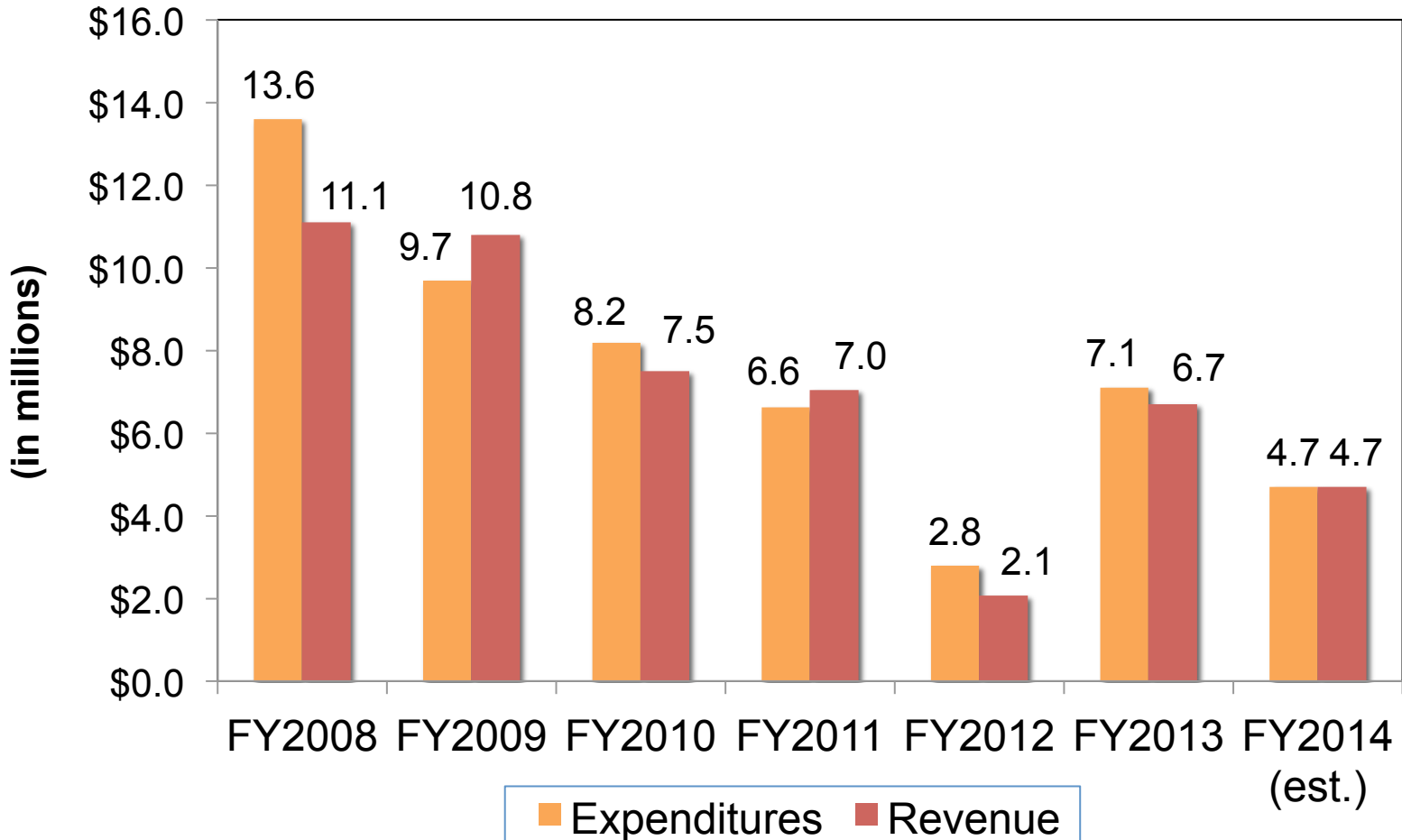
Nonmajor Governmental Funds

- Capital Reserve Fund
 - Account for allocation for ongoing capital outlay, information technology, major maintenance and equipment purchases
 - Decline in annual expenditures during five years from \$13.6 million in FY2008 to \$2.8 million in FY2012. Increased to \$7.1 million in FY2013



Capital Reserve Fund

Revenue (Transfers) and Expenditures for a Seven (7) Year Period



Nonmajor Governmental Funds (continued)

- Major Federal Grants

Federal Funding Earned	(in millions)
Special Education:	
IDEA, Part B	\$9.4
Title I, Part A of ESEA	\$4.6
Improving Teacher Quality:	
Title II, Part A	\$0.8
English Language Acquisition:	
Title III	\$0.5
Food Services	
School Breakfast Program	\$1.0
National School Lunch Program	\$6.6

Nonmajor Governmental Funds (continued)

- Extended Child Services Fund
 - Accounts for the financial activities of:
 - Preschool, Kindergarten Enrichment, Before and After School, and Intersession/Year-Round Enrichment programs
 - Academic and non-academic summer school
 - Instrumental music programs
- Pupil Activities Fund
 - Accounts for financial transactions related to school-sponsored interscholastic and intrascholastic athletic and activity events
- Capital Finance Corporation Fund
 - A non-profit organization whose purpose is to acquire and lease transportation equipment to the District



Nonmajor Revenue Funds

FY12-13 Revenues & Expenditures

(in millions)	Capital Reserve Fund	Designated Purpose Grants Fund	Extended Child Services Fund	Pupil Activities Fund	Capital Finance Corporation Fund	TOTAL
<i>Revenues:</i>						
Federal Grants	\$--	\$17.0	\$--	\$--	\$--	\$17.0
State Grants	--	0.3	--	--	--	0.3
Tuition	--	--	15.8	--	--	15.8
Pupil Activities	--	--	--	11.6	--	11.6
Other	--	2.3	--	--	--	2.3
Total	\$--	\$19.6	\$15.8	\$11.6	\$--	\$47.0
<i>Expenditures:</i>						
Instruction	\$--	\$15.3	\$13.0	\$--	\$--	\$28.3
Other Support Services	--	4.3	0.6	--	--	4.9
Pupil Activities	--	--	--	11.8	--	11.8
Capital Outlay	5.3	--	--	--	--	5.3
Debt Service	1.8	--	--	--	--	1.8
Total	\$7.1	\$19.6	\$13.6	\$11.8	\$--	\$52.1
<i>Other Financing:</i>						
Transfers (net)	\$6.7	\$--	\$(2.6)	\$--	\$(0.9)	\$3.2



Business-Type (Enterprise) Activities

Year Ended June 30, 2013

(in millions)	Food Services Fund
Operating Revenues	\$8.1
Operating Expenses	17.0
Operating (Loss)	(8.9)
Non-Operating Revenues	7.8
Change in Net Position	(1.1)
Transfers	.3
Beginning Total Net Position	6.4
Ending Total Net Position	<u>\$5.6</u>



Financial Summary

- Passage of \$25.0 million mill levy budget override and \$125.0 million bond election
- State funding at approximately the same level as the prior year
- General Fund reserves increased \$11.4 million
- Student enrollment increased 861 students (647.3 FTE)
Options program had 476 students
- Continue to manage within established budgets
- Continue to adjust financial, capital, and human resources to maintain balanced budget



